

John McMorrow  
Director  
Easthall Park Housing Co-operative Ltd

**By e-mail**

30 January 2020

Dear John

**Annual Assurance Visit**

I would like to thank you again for you and your colleagues' time and assistance during our visit on 11 December, 2019 to discuss the process of producing your first Annual Assurance Statement (AAS). The purpose of our visit was to:

- help us understand your experiences of producing the AAS;
- find out how you assured yourself about your compliance with regulatory requirements and in particular to find out how you gained assurance about tenant and resident safety and rent affordability; and
- identify and share positive practice, and any lessons learned.

In addition to your subsequent discussions with Kirsty Porter, I am now writing to share our findings from the visit.

We found Easthall Park Housing Co-operative (EP) had demonstrated a planned, structured and clear approach for the completion of your first AAS. You built upon already strong and mature foundations. EP's information submission was thoughtful and structured in a timeline focussed on process, affordability and tenant safety. This gave us a helpful insight into the process followed by the organisation over an 18 month period and also provided assurance about the robustness of the process itself.

During our visit we requested a range of additional material which was referred to in the information submission and in the papers we reviewed as part of the submission. EP produced the additional documents on the day with ease. Overall this resulted in a thorough process and a detailed understanding of assurance issues within EP. I have set our findings under the headings below.

**Experience of producing the AAS**

We found that:

- EP had a robust system in place to provide assurance and had already produced an annual governance assurance document each year (since 2012) so the AAS builds on what the organisation does already. However, the AAS is in a different format and covers a broader range of requirements, as per the Framework requirements.
- EP felt that the new approach worked well for a number of reasons: it didn't feel onerous; it provided an opportunity to set out the key achievements made by the organisation; it allowed you to step back from the detail and recognise how much you were doing across the organisation to

achieve strategic objectives; it helped reinforce and embed EP's culture of openness and transparency; and it provided an opportunity to improve – and you very much viewed the actions coming out of the review as positive.

- Even although the organisation had an existing process, Year 1 of the AAS was time and resource intensive. All staff were involved to varying degrees, but in particular the SMT were heavily involved in evaluation and considerations around materiality and compliance. You told us as senior officer, you spent around 3-4 weeks in total over a period of around 18 months. A significant amount of time was spent going to events, working groups, seeing what other RSLs were doing, carrying out training etc. SMT noted that significantly less resource would be required in Year 2, given that their process has been developed and that the AAS would be a more focused refresh, rather than a whole-scale update. SMT also noted that this was training and networking that EP would have been involved in anyway.
- EP had not used any consultants, but did share the work that it had carried out with other local RSLs and carried out a training session for these RSLs.
- EP identified some areas for improvement including equalities and was keen to get further detail from SHR about its requirements in this area.
- Your Chair felt the AAS and the process to produce it was pitched at the right level for the governing body as all the reports were easy to read and understand, and staff were approachable and knowledgeable when asked about the AAS and the evidence sitting behind it.

### What went well

Our findings identified that EP had provided specific examples which presented as key positive practices. You told us:

- EP already had a mature governance assessment process in place. You used this as the basis for the AAS process and planned very well in advance – over 18 months, whilst the Framework was still out for consultation. The planning process included significant training for the governing body, as well as the development of the process and the AAS evaluation. Advance planning for the AAS was therefore built into the annual strategic planning, business plan and projections process. This ensures an integration of strategic planning and risk management processes.
- EP used the sector guidance to develop its existing approach. For each requirement, it used detailed prompts (questions to ask), alongside an analysis of strengths, weaknesses, key evidence and actions to improve.
- EP specifies on every governing body paper both (i) which regulatory standards the paper covers and (ii) whether it is of relevant to the AAS.
- EP periodically carried out an internal audit of its annual governance self-assessment and is considering including the AAS in future internal audit programmes.
- Uses different consultants to provide independent assurance on individual aspects of its work. For example, different consultants were used to carry out its last two stock condition surveys. This provides additional assurance around the validity of the assumptions and reliability of external advisers.
- EP carries out an independent financial health check every 5-7 years. It uses independent consultant to assess the appropriateness of the assumptions used in the business plan and projections, look at the model and comment on its effectiveness, and carry out benchmarking on the assumptions used.
- EP's AAS identifies that some qualitative improvements will be made to its governance structures. Its evaluation document sets these out in detail and it is clear how the Association has arrived at its judgements and what actions it intends to take.
- EP will use Probity Reports to the governing body to assess AAS compliance formally every six months. These reports will highlight any changes to the AAS and set out whether these reflect any material/non-material non-compliance. The governing body will also receive updates if necessary.
- EP's AAS contains an introduction for tenants and it is clearly written for a tenant audience.

### Lessons Learned

Our findings were that clear examples of lessons learned were provided by EP which constituted as positive practice. You highlighted the following to us:

- In Year 2 EP will use its recently formed Customer Care Panel to feed into the AAS process and in particular look at what improvements could be made to shape future services from a customer perspective. To help establish the Panel, EP is in the process of contacting anyone who has made a complaint to see if they want to be involved.
- In Year 2 EP will also look at other ways to involve tenants in the AAS and look at Whistleblowing in more detail.

### **Feedback on the toolkit and other guidance**

On looking for suggestions for improvement that could be made by SHR it was useful to be provided with information that:

- EP used both the SFHA and the SHN toolkits, together with its own governance self-assessment. You felt both sources of guidance were helpful, however, noted that it was unfortunate that the SFHA guidance wasn't available until July. It was also noted that the SHN approach was more detailed and encouraged more self-awareness. This was particularly the case in terms of the SHN approach of carrying out a self-assessment before and after the formal evidence review, then analysing the changes.
- EP felt that SHR's guidance was also helpful and noted that it would benefit from more information on (i) SHR's requirements in relation to equalities (including any accreditations) and (ii) examples of materiality / non-materiality.

We will soon be publishing a report on the outcomes of all ten visits we undertook with landlords. This report will look at high level findings, and will seek to share positive practice and lessons learned. The purpose of the report is to assist all landlords in producing an AAS in the future.

I hope this feedback has been helpful. If you have any questions about our feedback please contact me at [Carolyn.anderson@shr.gov.scot](mailto:Carolyn.anderson@shr.gov.scot) or Kirsty Porter at [Kirsty.porter@shr.gov.scot](mailto:Kirsty.porter@shr.gov.scot) .

Yours sincerely



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